



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

25 SEP 2001

The Honorable Carl Levin
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr. Chairman:

This letter is written to provide some insight into the acquisition strategy for the Joint Strike Fighter (JSF).

As you may know, if the JSF program continues, it will be the only U.S. manned tactical fighter aircraft in production after 2013 (F-22 and F/A-18E/F are currently planned to stop production then). The down-selected winner – Boeing or Lockheed Martin – would be the only U.S. producer of tactical fighter aircraft after that period.

Given this situation, we investigated an alternative acquisition strategy that would attempt to preserve a tactical fighter airframe industrial base and future competition, essentially between Lockheed Martin and Boeing teams. The alternative strategy would have the loser of the current competition participate as a member of the winning contractor's team. By keeping both contractors involved in meaningful work, it would also permit both contractors to compete for the production of future variants of the JSF configuration.

We reviewed the pros and cons of the alternative strategy, including any cost increases or schedule delays in the program, and we concluded that we should not implement the alternative strategy, for the following reasons:

- The teams were formed, commitments made, and the competition conducted under a "winner-take-all" approach. It would be unfair to the winner to force him to restructure his team to accept the "loser."
- We would introduce significant delay (6-9 months) in the current plan if we asked the competitors to revise their proposals to reflect this new arrangement.
- The program cost would increase to accommodate the overhead of another team member who must retain a duplicate level of expertise to be prepared for a future competition. This could be a \$500 million to \$1 billion impact on program costs.
- There will be sufficient work on UAVs, UCAVs, a new Long-Range Strike Aircraft, and Foreign Military Sales of F/A-18E/F (Boeing) and F-22

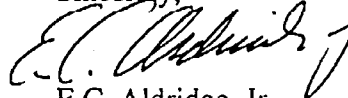


- (Lockheed Martin) to retain some tactical aircraft design team expertise after the JSF competition and the planned F-22 and F/A-18E/F production.
- If there were a decline in the currently planned force structure, the potential cost savings for future JSF production competitions would be less than might be predicted now.
- Finally, it is not clear that there will be a competition of a manned tactical aircraft after the JSF in the 2020-2025 period.

For these reasons, with the concurrence of the Secretary of the Navy and the Secretary of the Air Force, we are proceeding with the "winner-take-all" strategy for JSF airframe acquisition. The engine second source strategy will continue. We are continuing the examination of the radar industrial base and will propose an alternative strategy to ensure viable competition continues after the down select.

We do not feel that the events of September 11, 2001, affect this strategy and appreciate your support in preserving the "Winner-Take-All" strategy.

Sincerely,



E.C. Aldridge, Jr.

cc:
The Honorable John Warner
Ranking Member